



TESTIMONY OF
STEPHEN GIBELLI, ASSISTANT GENERAL COUNSEL

Finance, Revenue and Bonding Committee
April 15, 2015

Re: Raised House Bill No. 7055: AN ACT CONCERNING CONNECTICUT FIRST

Eversource Energy thanks the committee for the opportunity to provide this testimony on H.B. 7055. Eversource's comments are specifically focused on Sections 3 and 4 of the bill (lines 229 – 488), which promote the development of zero-emissions renewable energy facilities on brownfield and solid waste disposal sites by adding to the small renewables program codified in Sections 16-244r and 16-244s of the general statutes (the "ZREC program").

Eversource has two overarching concerns with this bill. First, adding additional funding to the ZREC program creates new financial obligations on the part of electric distribution companies ("EDCs") in the form of long-term contracts that can have an adverse impact on the EDCs' credit rating and financial ledgers. Second, the specific language of Sections 3 and 4 will modify the ZREC program in a way that reduces competition and adversely impacts our customers, who ultimately pay for the program.

I. Cost Recovery and Remuneration

The bill creates additional obligations for EDCs to enter into long-term contracts, to meet public policy goals by providing creditworthy backing for energy projects, by utilizing the EDCs' balance sheets.

The bill, as written, provides the EDCs with – *at best* – the opportunity to break even on their balance sheets. Rating agencies such as Standard and Poor' and Moody's view such obligations unfavorably. However, adverse credit rating impacts can be at least partially avoided through clear, unambiguous cost recovery language in statute. To that end, Eversource recommends the adoption of the following specific cost recovery language which has been utilized in other legislative measures:

The following specific issues are raised if competitive bidding for ZREC projects between 100 and 250 kilowatts in size is eliminated:

First, competitive bidding in this segment has significantly benefitted customers by driving prices down 51% in two years, to a weighted average price of \$73.61 per renewable energy credit in Eversource's most recent solicitation for ZREC projects in this category. This price represents a 79% reduction from the original price cap established in CGS 16-144(r). The benefit of competition in this category is evident, and eliminating competitive bidding will harm consumers.

Second, the bill eliminates the well-functioning pricing mechanism for projects 100 kilowatts and smaller. To date, every solicitation for ZREC projects of 100 kilowatts and smaller has been oversubscribed, and project attrition has been low enough to conclude that the incentive is adequate, and there is no justification for removing the pricing mechanism which has provided a successful incentive thus far.

Third, the bill, in lines 377-383, removes the language which establishes the non-competitive renewable energy credit offer price. The removal of such language without prescribing an alternative methodology for the EDCs to establish or define the non-competitive renewable energy credit offer price is problematic. Eversource recommends that the language in the current law be maintained.

Fourth, Eversource notes that the bill proposes changes to the definition of long-term ZREC contracts, by extending the program from "fifteen years" to "fifteen years or more" in line 252. Eversource believes that 15 years is a sufficient contract term. The ZREC program has run out of available funding every year, and the program has been oversubscribed. There is no reason to burden electric customers or EDCs with contracts that are longer than 15 years.